



OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

AUG 23 2019

COMPTROLLER

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARIES OF THE MILITARY
DEPARTMENTS (FINANCIAL OPERATIONS)
COMPTROLLER OF THE JOINT STAFF
COMPTROLLERS OF THE COMBATANT COMMANDS
COMPTROLLERS OF THE DEFENSE AGENCIES
COMPTROLLERS OF THE DOD FIELD ACTIVITIES

SUBJECT: Dormant Account Review Quarterly (FPM18-02)

This memorandum replaces the existing Triannual Review with the Dormant Account Review Quarterly (DAR-Q) effective for all DoD components beginning Quarter (Q) 1, Fiscal Year (FY) 2020. The change exemplifies DoD's commitment to effective stewardship of taxpayer dollars through improved execution of budgetary resources. The amended review process reflects the Department's continuous improvement efforts and maturation of internal controls while enabling senior leadership to provide oversight and defend budgets.

Major updates, as detailed in the attachment, include a quarterly review of obligations and unfilled customer orders dormant over 90 days. The roles and responsibilities have been updated to promote accountability and corrective action follow-up. Populations and performance measurement have been realigned to improve budget execution, while record selection criteria emphasize high-risk and high-value balances.

The DoD Financial Management Regulation 7000.14-R, specifically Volume 3, Chapter 8, will incorporate this policy during the next update cycle. Additionally, the Office of the Deputy Chief Financial Officer's Chief Financial Officer Data Transformation Office has created an optional, automated tool within the Advana platform in which over 20 DoD entities executed their Q2, FY 2019 DAR-Q. Guidance and coordination will be provided as additional components transition to DAR-Q throughout FY 2019.

Thank you for your continued support of DoD financial improvement efforts. My point of contact for this effort is Ms. Elizabeth McEntire. Reach her at 703-614-1078 or elizabeth.t.mcentire.civ@mail.mil.

Mark E. Easton
Deputy Chief Financial Officer

Attachment:
As stated



**Department of Defense
Dormant Account Review - Quarterly
Transition Guidance - August 2019**

I. Dormant Account Review – Quarterly Goals

The Dormant Account Review – Quarterly (DAR-Q) serves as a quality control mechanism of entity-level internal control activities. In addition to providing the Office of the Under Secretary of Defense (Comptroller) (OUSDC) oversight, the DAR-Q improves the Department’s ability to execute available appropriations before expiration and ensures remaining open obligations are valid and support accurate financial and budgetary reporting.

II. Automated DAR-Q tool

The OUSDC Chief Financial Officer Data Transformation Office (CDTO) collaborated with the Financial Improvement and Audit Remediation (FIAR) Directorate to design and launch an automated tool Components can utilize for performing the DAR-Q within the Advana platform. The tool leverages the DoD investment in the OUSDC’s universe of transactions to provide automated populations, reconciliations, record sampling, and a standard reporting platform. Performance of DAR-Q within Advana allows components to effortlessly adhere to policy requirements.

We conducted a pilot program in which five components reviewed their Q4, FY 2018 dormant accounts. Over 20 components, including the Marine Corps, executed their Q2, FY 2019 DAR-Q review within the tool. Throughout FY 2019, the CDTO and FIAR Directorates will support components’ transition to DAR-Q through performance within the automated tool or implementation of internal procedures to meet unique business processes. To clarify, the tool was designed as an alternative solution and is not mandatory.

III. Populations

While respecting tie-points between proprietary and budgetary accounts, DAR-Q populations reflect the budgetary general ledgers impacting budget execution included on the table below.

DAR-Q Population	USSGL
Undelivered Orders (UDO)	4801, 4881, 4871, 4831
Delivered Orders, Unpaid (DOU)	4901, 4981, 4971, 4931
UDO – Paid (UDOP)	4802, 4882, 4872
Unfilled Customer Orders (UFCO)	4221, 4222, 4230, 4253

IV. Dormancy

DAR-Q only includes records with dormant balances. For purposes of the DAR-Q, current is defined as having a change in the status for obligations or unfilled customer orders during the last 90-day period, which generated general ledger activity. Balances are defined as dormant if they have not been liquidated and no obligations, adjustments, contract modifications, disbursements, or withdrawals occur within the 90-day dormancy period.

V. Review Periods

DAR-Q is a quality control mechanism to support the validity of balances reported on the quarterly financial statements. Therefore, review periods will occur during the quarter following the dormancy period.

Quarter	Dormancy Period	DAR-Q Review Period
1	October 1 through December 31	January through March 20
2	January 1 through March 31	April through June 20
3	April 1 through June 30	July through September 20
4	July 1 through September 30	October through December 20

VI. Sampling Methodology

DAR-Q sampling methodology focuses on high-risk, high-value balances. High-risk comprises dormant balances in expiring and canceling appropriations for General Funds and balances remaining after the period of performance has ended for Working Capital Funds and Foreign Military Sales. Populations are grouped by dollar value with higher sampling applied to high-value balances. Sampling methodology can be modified to reflect business events, such as continuing resolution authority, which impact budget execution timelines as well as consideration of qualitative factors, such as length of dormancy.

VII. DAR-Q Roles and Responsibilities

Updated roles and responsibilities for the DAR-Q support quality control and accountability.

- **Coordinator.** Components are required to appoint at least one coordinator to serve as the OUSD(C) point of contact, disseminate records to appropriate personnel for review, and facilitate the DAR-Q process. Coordinators are not required to be financial managers, as their role is to facilitate the DAR-Q process by providing logistics, routing, and administrative support.
- **Funds Holder.** Funds Holders review dormant records to evaluate the status and initiate corrective action as necessary. Initiation of corrective action within ten business days, as well as monthly follow up until corrective action has been completed and general ledger posting has occurred, must be documented. Once the review is complete, records and supporting documentation are routed to their BSO for review.
- **Budget Submitting Officer (BSO).** BSOs use professional judgement to evaluate the appropriateness of the validation and sufficiency of the supporting documentation to provide reasonable assurance the Funds Holder completed their review in compliance with FMR policy and the Component's SOP requirements. BSOs must ensure Funds Holders have the capabilities to perform DAR-Q.

- Assistant Secretaries of the Military Departments for Financial Management and Comptrollers (FM&C). Comptrollers must establish Standard Operating Procedures (SOPs) for entity-level implementation of the DAR-Q, whether through utilization of the automated tool or manually through standard queries/reports, to ensure accuracy and completeness of the DAR-Q. Once the coordinator has consolidated all records, a certification statement will be signed by the comptroller prior to submission to OUSD(C) FIAR Directorate.
- OUSD(C) FIAR Directorate. FIAR will select a sample of Component's submission in order to perform quarterly review and provide feedback to assigned components. This oversight role includes monitoring performance, recommendation of best practices, and driving actions to achieve DAR-Q objectives.
- Service Providers and Sub-Allottees. Service providers and components who execute on behalf of others must provide documentation for sampled items as requested by their customers. The manner of customer requests, service provider response timelines and expected documentation types should be included within customer service agreements.

VIII. DAR-Q Validation

At a minimum, balances selected for review will be indicated as Valid, DAR-Q Adjusted, or DCAA/DCMA Review, defined below.

- Valid – A valid obligation where there is a reasonable likelihood that future activity will occur. Examples of activity include, but are not limited to, receipt of goods and services, payment of invoices, collecting payment for goods delivered or services rendered, or performing work on a reimbursable basis.
- DAR-Q Adjusted – A valid obligation that requires all or a portion of the balance to be adjusted in either the source General Ledger (GL) system or initiated with the responsible party (DFAS, Contracting Office, Performer, Source of Supply, etc.). An appropriate adjustment is any action required to adjust, the open balance to accurately reflect business events.
- DCAA/DCMA Review - A dormant balance that is currently under Defense Contract Audit Agency (DCAA) audit or Defense Contract Management Agency (DCMA) contract closeout procedures. Includes balances from contracts scheduled to be under DCAA audit or DCMA contract closeout procedures where the Agency no longer actively manages the open balance. Agencies must retain evidence that the open balance is currently under DCAA audit or DCMA has initiated contract closeout.

The automated tool allows users to select reason codes and provide additional granular data through explanation and comment fields. The collection of quantifiable data allows for analysis to ultimately drive decision making across the Department.

IX. Key Supporting Documentation

OUSD(C) requires key supporting documentation (KSD) be provided for a sub-sample of DAR-Q records to support the balance, validation selected, and any corrective actions initiated. For dormant balances determined to be valid, documentation should support the remaining balance, while balances which require adjustment would include documentation to support the adjustment amount. KSD will be reviewed for quality control by OUSD(C)'s FIAR Directorate with feedback provided as necessary. The DAR-Q KSD requirement focuses on quality over quantity and supports future documentation requests as the Department continues the consolidated audit. When requested, KSD must be provided within 10 business days.

X. Standard Operating Procedures

Components are required to update Triannual Review SOPs (i.e., desk guides) to document entity-level DAR-Q procedures for implementation of the DAR-Q framework. For Components executing within the automated tool, SOPs should include internal timeframes to meet submission due dates and workflow descriptions which utilize the expanded process flow functionality. Components executing the DAR-Q outside the automated tool should include narratives documenting population generation, sample record selection, process timeframes, testing and reviewing procedures, and documentation requirements. The SOP should be written at the appropriate level of detail to allow an unfamiliar party to perform the appropriate steps without additional instruction.